



Journal of the House

State of Indiana

114th General Assembly

Second Regular Session

Joint Convention

Wednesday Evening

January 11, 2006

The members of the 114th General Assembly, meeting in Joint Convention, were called to order at 6:45 p.m. by the President Pro Tempore, Senator Robert D. Garton.

The Speaker introduced the honored guests as follows: First Lady Cheri Daniels, wife of Governor Mitch Daniels; Melissa and Meredith Daniels, daughters of Governor and Mrs. Daniels; Steve Skillman, husband of Lieutenant Governor Becky Skillman; Senate President Pro Tempore Robert Garton and his wife, Barbara Garton; Cheryl Bosma, wife of Speaker Brian Bosma; Senate Majority Floor Leader Emeritus Joseph Harrison; Senate Majority Floor Leader David Long; Senate Majority Caucus Chair James Merritt; Senate Minority Leader Richard Young; Senate Assistant Minority Leader Earline Rogers; Senate Minority Caucus Chair James Lewis; House Majority Floor Leader William Friend; House Majority Caucus Chair Kathy Richardson; House Minority Leader Patrick Bauer; House Minority Floor Leader Russell Stilwell; House Minority Caucus Chair Dale Grubb; Chief Justice Randall Shepard and his wife Amy MacDonell; Justice Brent Dickson and his wife Jan Aikman Dickson; Justice Frank Sullivan, Jr.; Justice Robert Rucker; Justice Theodore Boehm and his wife Peggy Boehm; Judge Mark Bailey; Judge John G. Baker and his wife Peggy Baker; Judge Michael P. Barnes; Judge Terry A. Crone and his wife; Judge Carr L. Darden and his wife; Judge James S. Kirsch and his wife Jan Kirsch; Judge Paul D. Mathias; Judge Melissa S. May; Judge Edward W. Najam, Jr.; Judge Patricia A. Riley; Judge Margret G. Robb; Judge John T. Sharpnack; Judge Patrick D. Sullivan; Judge Nancy H. Vaidik; Tax Judge Thomas Fisher; Clerk of the Supreme and Appellate Courts David Lewis; Dr. Suellen Reed, Superintendent of Public Instruction; Auditor of State Connie Nass; Secretary of State Todd Rokita; Treasurer of State Tim Berry; and Attorney General Steve Carter.

The Speaker yielded the gavel to Lieutenant Governor Becky Skillman, President of the Senate, who convened the joint session and presented the Governor as follows:

"Members of the Joint Assembly: Pursuant to Section 13 of Article 5 of the Indiana Constitution, this Joint Convention of the two houses of the Indiana General Assembly is now convened for the purpose of hearing a message from the Governor of the State of Indiana.

Ladies and Gentlemen of the House and Senate, and distinguished guests, I have the high honor and distinct privilege of presenting to you the Governor of the State of Indiana, the Honorable Mitch Daniels, Jr."

Governor Daniels was escorted to the rostrum by Representatives Hoffman, Whetstone, Klinker, and Kromkowski and Senators Harrison, Merritt, L. Lutz, and Craycraft.

STATE OF THE STATE

"Mr. Speaker, Mr. President, Members of the Assembly, friends and neighbors:

You provide me the privilege of this podium for just the second time, but I know that the excitement I feel on these occasions will never fade. Coming together, in the presence of our fellow citizens, to assess the condition of our state, and of its governance, and to think together about plans for its future greatness—surely everyone here feels as honored as I do just to be present.

When we met last year, I described the state of our state as "far from sound", and "in need of serious attention." I noted that state government was broke, and broken. That we were far behind in making the changes needed to restore income to Hoosier paychecks, and an atmosphere of opportunity that persuades our young people to stay and build their lives here.

By any honest account, those descriptions remain true tonight. None of the problems that gave birth to Indiana's change movement is behind us, or nearly so. But that is not to say that nothing is different in Indiana from a year ago. In fact, we are a vastly different place.

In the last year, we have become more progressive, adopting approaches to government widely used in other states, but new to us. We have become more forward-looking, building toward a great future, not merely scraping by through a present of struggles. We have become more activist, tackling our problems with vigor not half-measures, confidence not resignation, risk-taking not timidity.

As an utterly forgettable young infielder, I heard far too often the coaches shout "Daniels, don't let the ball play you." They meant to get off your heels and move forward, advance on ground balls and field them before it was too late. If you mishandled the first attempt, there would still be time to try again and throw the runner out at first.

Indiana is no longer on its heels, waiting while our problems bounce past us or through our legs. Even though the inning is still an early one, we are moving forward against our challenges. We are playing the ball.

We saw a bankrupt state government, and we acted.

A \$2 billion surplus had evaporated; several straight budgets had spent more than was coming in; schools and local governments had been stiffed, and thus forced to borrow, through delayed payments of over \$700 million. Some said, "Go slow. A decade of deficits can't be fixed in one budget. It took years to get into this hole, it will take years to get out."

But we said, "No." We said, "Now." First, we have a constitutional duty to balance the budget, and without gimmicks. Second, the sooner we get the boat bailed out and upright, the sooner we can set a course for the new investments and improvements Indiana needs.

Together, we passed the leanest state budget in a half century. Spending in most areas was held constant, or less. The only increases, modest ones at that, were for schools, transfers to local government, child protection, and Medicaid. We asked special interests to back off a little, to think for once about the good of all, to work with us and put our state back in the black. With exceptions, they did.

And we have results. Tonight, with a half-year of this first budget behind us, we are in a position to forecast that Indiana will have a balanced budget for the first time in ten years, and not after two years as the budget contemplated, but after only one, by June 30 of this year. Congratulations to all who helped.

We are not ahead of schedule because of good luck. Revenues received, aside from our very successful tax amnesty program, are no better than expected. We are ahead of schedule because our New Crew of reform-minded public servants is finding ways, every day, to reduce waste and stretch tax dollars.

We stopped cooking our own prison food in 26 separate kitchens and saved \$12 million, while food quality improved. We discovered and cancelled maintenance contracts on equipment the state no longer owns.

We ended sweetheart deals and began negotiating as though tax dollars were our own. We no longer pay \$8000 for a copier machine we can get for \$4500; we no longer buy ball point pens department by department for \$1.02 when we can get them in bulk for 48 cents. Our millions of driver's licenses now cost a dollar, not \$1.52 each to produce.

Over 2000 state-owned vehicles have gone to the auction block; eight aircraft and a raft of unneeded real estate are on their way there.

By the way, if anyone would like to buy a rocking chair, purchased by state government for \$2000 each, from Texas of all places, we have ten for sale.

Hundreds of savings, some large but most small by themselves, total up to over \$200 million in reduced spending so far. To those who belittle our concern with such matters, we say never forget that some Hoosier worked hard for every one of those dollars, and it is an obscenity for government to waste it or to spend it less efficiently than is humanly possible.

A prudent family pays down its credit cards before it buys a new car. As a first dividend from our fiscal recovery program, I am directing tonight that \$156 million of the extra proceeds from our amnesty success be used for a special distribution to Indiana's public schools, repaying half of the funds withheld from our school systems during the previous era of deficit spending.

Balancing the people's books is a solemn duty, but it is not the whole business, or the true purpose of government. That highest purpose is to provide excellent public service to citizens at the lowest possible cost to taxpayers.

We saw state government that, in far too many places, was slow, incompetent, or even shamed by dishonesty and scandal. We saw backlogs, waiting lists, and unmet needs. We acted, and we have results.

Every problem we inherited remains to some extent, but everywhere progress has begun. The backlogs of tax filings, environmental permits, minority business certifications, medical disability and unemployment claims have been slashed or eliminated. The child support system that was collecting only half the money owed to single moms has begun to improve, and at \$6 million each, every percentage point really counts. One hundred new caseworkers are trained and on the job protecting vulnerable children, and the nation's largest caseloads are on their way down.

We saw what methamphetamine was doing to the small towns and families of our state, and launched the nation's most all-out effort to combat it. Meth production has been cut in half, the backlog at the evidence lab is down by two-thirds, the nation's first meth treatment prison wards are up and operating, and other states, for once, are copying us.

We built a system to connect low-income Hoosiers with discounts on their prescription drugs, and have already helped 100,000 to slash their medication costs. At no cost to taxpayers, Rx for Indiana has helped 5 times the number served by the state's previous effort, and delivered twenty or more times the savings to poorer citizens who can really use the help. Standing in for thousands of volunteers who made those savings possible is a woman who singlehandedly helped two hundred neighbors in need; please help me thank Jennifer Nelson of Terre Haute.

We said the people's business should be done more openly, and, with your help, we have results. Those who lobby the executive branch about rulemaking or contracts now must register their activity for all to see. Contract decisions are posted on the web, for all to see. Campaign finance disclosures will now be filed twice as often.

Rules against gifts, and penalties for violating the public trust have been stiffened. The revolving door has been locked; public employees offered jobs by those doing business with the state must now wait at least a year before taking them.

Because tougher rules alone will never make men angels, we established an Inspector General. There is now a place for the whistles of whistleblowers to be heard. Now that people know wrongdoing will be acted on, whistles are blowing, ten times as often as a year ago. Thirty-three cases have been referred for prosecution, and the word is spreading: if you're thinking about cheating the taxpayer, pick another state than Indiana.

One typical whistleblower, who turned down a bribe and turned in the wrongdoer, is with us tonight, representing that overwhelming majority of public employees who want to work in a clean, efficient state government. Please help me recognize Teresa Marshall of Shelbyville.

Citizens who see their government wasting money on little things cannot be expected to trust it when it seeks to do big things. Those who watch government make a botch of the simplest service, with no serious effort to reform or improve itself, are justified in a cynicism that poisons our ability to unite around common goals.

So we will continue challenging old ways, trying new approaches, setting higher targets and measuring everything along the way, knowing that we must never be satisfied but taking heart from the dramatic improvements we are recording every day.

Even as we press on with the work already begun, there is essential new work to commence.

No area of responsibility must concern us more than public education, and no area intersects more with our other problems. As, far and away, the state's most expensive spending category, education cannot be separated from our fiscal responsibilities. And no factor will do more to determine Indiana's future economic health than the quality of the learning in our public schools.

At \$10,000 per student, Indiana occupies a proud position near the top of states in commitment to public education. At \$1.14 of their income for every dollar spent in the average state, Hoosiers dig deeper to support their schools than almost any citizens in America. Our commitment to our schools is a reason for pride and must never waver.

But are our children getting as much education as possible from all this money? Last year at this speech, I pointed out that we sometimes seem to elevate construction over instruction. The average school building here costs almost half again what is spent in the rest of the country. Debt service on school buildings is 3 times the national average, and by far the biggest driver of higher property tax bills.

We addressed that imbalance with common sense rules that simply say, if you are planning a building that will cost above the national average, think twice, and show cause before proceeding. Since those simple rules went into place, no request has been rejected, but \$87 million that we know of has been trimmed voluntarily from local school borrowing proposals.

This year, we must seize another opportunity to shift more dollars to the classroom, where it matters most. We spend more dollars than most states, but all too often, we don't spend them where the kids are. Consider that well under half of Indiana school employees are teachers, one of the lowest ratios in America.

Ignore for a moment our excessive construction costs; only 61 per cent of operating expenses reach the classroom, compared to a national best approaching 70%. Hundreds of millions that could be going for more teachers, higher teacher pay, cheaper text books, or new programs like all-day kindergarten, extra math and science tutoring, or a longer school year, go instead to administrative and support costs. We could have smaller classrooms, smaller schools, better-paid teachers and new programs just by making even small improvements in the way we spend our school dollar.

At \$10 billion of total spending, every one per cent shift of dollars from overhead to the classroom could fund 1500 new teachers, or buy every high school student a computer.

No superintendent I've met wants to waste money in the back office that could be spent on the front lines of education. Our school administrators should be permitted to opt out of expensive state requirements that consume time and money but add little or nothing to student achievement.

And they need new authority and new tools to conserve and stretch precious dollars. In most cases, our 292 school corporations operate on their own: they buy things as cheap as supplies or as costly as insurance and energy with no collaboration and no economies of scale. In many states, all school buses are bought centrally, at prices thousands of dollars per bus lower than Indiana schools are paying.

It is time to make more of our school dollars available to teachers and the purposes that matter most. Let's catch up and pass other states in the efficiency of our school spending. I am sending to the General Assembly a package of reforms to enable our school officials to conserve scarce dollars and redeploy them to the classrooms and the teachers of our state.

If the machinery of state government was due for an overhaul, our local level needs an extreme makeover. How ironic that Indiana, by reputation cautious about Big Government, leads the nation in the number of politicians we elect. How curious that Hoosiers, strong believers in local control, have imprisoned mayors and county officers in a system that prevents major change without state approval.

Redundant and antiquated government makes property taxes too high and decision making too slow. Scattered authority produces bizarre tax assessments in which identical houses just blocks apart are taxed at widely different levels. Like our other challenges, change will take many years, but it is past time to begin.

The days of top-down control of local affairs from Indianapolis have run their course. As I did last year, I call on the General Assembly to liberate localities to raise funds from sources other than the overused and unfair property tax. And to begin assuming the costs of caring for endangered and abandoned children at the state level, also reducing property tax burdens in every county. And to offer blanket pre-approval to any community or school corporation that wishes to combine with its neighbor or consolidate duplicative layers of government. Let our traditional "creature of the state" system begin giving way to a new era of home rule and local autonomy across our state.

But there is an essential tradeoff implicit in this new freedom. Cities, counties, and school districts must become partners in reform, supporting and leading in the reduction of overhead and the elimination of excess. I ask the local officials of our state to endorse and help effect the end of the archaic township assessment system and the transfer of this failed process to the level of our 92 counties.

My fellow citizens, there are sprints, and there are marathons.

A balanced budget is already in sight. Reform of state government is well underway, and changes in local government will come in time.

But the reversal of economic decline, and then the climb to leadership, will not be the work of weeks, or even a few years. Only boldness, and imagination, and then the fortitude to sustain pro-growth policies will suffice to turn around decades of erosion.

It cannot be said too often. Governments do not "run" economies. They do not create jobs or wealth. At their worst, they destroy jobs, or drive them to other, friendlier locations. At their best, they establish an environment in which free men and women, pursuing their dreams and best ideas, create wealth for each other.

In 2005, we made Indiana a much more growth-friendly place. Taxes on research and development and small business were reduced. We have reordered state government, in every relevant activity, to

become an ally and not an obstacle to growth. A new public-private job-seeking agency replaced a failed state bureaucracy and closed more deals with companies investing in Indiana than in the previous two years combined.

We placed special emphasis on the suffering small towns and rural spaces of our state. We went all-out and saved the Crane naval research center. We launched the most pro-agriculture program in decades, and, in one year, Indiana has moved from nowhere to national leadership in biofuels. During 2006, ten or more new ethanol and biodiesel plants will open across our state. The Indiana economy is still facing upstream, but at least now we are swimming.

Perhaps the single most important step government can take for our economic future is to ensure the best possible infrastructure, the strongest possible framework, to support the businesses of tomorrow.

In a wired world, "infrastructure" no longer means just roads, rail lines, or waterways but also the invisible fibers and frequencies over which today's most vital and valuable commerce is transacted. It is time to modernize a telecommunications regulatory system set up for the age of monopolies and copper wire to unleash this century's most dynamic, diverse and competitive technologies. Two decades ago, Indiana waited too long, left an outmoded regulatory regime in place, and lost its in-state banks as a result. This time, let's be among the leaders in freeing investors to connect our businesses, small towns, and homes to the unseen skeleton of the New Economy.

The emergence of invisible infrastructure does not mean that the backbone we can see is less important. In fact, to a state that sits at the "crossroads of America", nothing is more crucial to our economic future than the best network for moving goods in, out, and through to the markets of America and the world.

It is within our grasp to create that network. To connect even the smallest community of Indiana to the world economy in a way that gives us a competitive advantage over other states. To make "Major Moves" into a future of extended manufacturing superiority and a position as the nation's logistics capital.

Business as usual will never get it done. As matters stand, we'll have fewer than half the dollars needed to build the roads, bridges, rail lines and airports our economy needs and, in most cases, Hoosiers have been promised. Without new approaches, long-sought projects like US 31, the Hoosier Heartland Corridor, new Ohio River bridges, the Gary-Chicago Airport, I-69, and dozens of others will continue to languish on the drawing boards where they have been for too long already. And the thousands of new jobs that could be created in businesses that build them or locate near them will never come into existence.

The plan we call "Major Moves" would trigger tremendous job growth using in large part a very handy tool: other people's money. Two thirds of the tolls paid on the Indiana Toll Road are paid by out-of-state motorists.

If we can interest private firms in putting their own money into the construction of I-69 and perhaps other expensive projects, recapturing that investment through tolls paid largely by non-Hoosiers, by all means let's do. And if, a big if, private firms are willing to offer Indiana a very large sum of money today for the right to operate our northern toll road over time, we would be foolish not to seize that opportunity, and make the dreams of decades a reality in our time.

With ten days to go, we have good reason to believe that one of many active bidders will offer the state an amount far beyond anything we could generate ourselves. If such an offer does not materialize, we have lost nothing. If it does, I will recommend to the General Assembly that we capture those dollars and reinvest them in the nation's boldest transportation program, from one end of our state to the other, putting thousands of Hoosiers to work every step of the way.

We must move on one more long-term barrier to bigger paychecks, as well as a higher quality in the lives Hoosiers lead. It's a

troublesome truth that ours is one of the least healthy states in America. We weigh, drink, and smoke too much, and exercise too little. So it's no accident that we have some of the highest health care costs anywhere, a barrier in the way of the new jobs we seek.

Our InShape Indiana initiative is off to a reasonable start, with thousands of citizens signing up to pay more attention to basic principles of wellness. But no single step we could take would matter more than reducing the percentage of Hoosiers, particularly young Hoosiers, who smoke cigarettes. All the evidence shows that the most effective way to deter young smokers is at the cash register. I ask this Assembly to raise Indiana's lowest-in-the-Midwest cigarette tax by at least 25 cents a pack.

The first steps of any race are critical. Our first steps have been fast ones, strong and straight. But the ground we must cover to catch up to accumulated problems, and overtake other states of this country, will be a long and demanding one.

At the gym I frequent, I sometimes run with—or, more accurately, run far behind—a friend named Sunder Nix. If the name is familiar, it is because Mr. Nix is an Indiana sports hero, a gold medalist at the '84 Olympics and a 400-meter specialist.

Sunder tells me that, although the first or “drive” phase of a race is key, the second stage is likewise. In this “transition” segment, his goal is to maintain the speed he has attained through a fast start. “Whatever you do,” he teaches, “don't lose your momentum.”

Momentum for change has been established in Indiana. We have already taken steps people said were not possible. This is no time to rest, let alone pull up lame. We must gather confidence and courage from the fast start behind us and head straight for the next set of goals: more money in our classrooms, the exchange of 19th Century institutions for 21st Century models, and brave, bold moves to build a backbone for a new generation of great jobs.

To those of our fellow citizens for whom all this seems like too much change too fast, we say, “We understand.” Who among us doesn't wish now and then that someone would stop the world so we could all get off?

I've saved a recent quote from a Lafayette gentleman who spoke, I know, for many when he said “I'm an old-timer, and old-timers don't like change. I know I'm just that way and I don't have to have a reason for anything.” To that good man, and all like him, we do understand, but we offer you good reasons, a million of them. That's how many young people are enrolled in Indiana schools tonight, facing a life of competition far tougher, and more global, than anything today's workers ever knew.

Those kids are the million reasons that we cannot stand still in this state. That we cannot accept mediocrity or middle of the pack status in any realm. That we must think big, aim high, and act boldly, to build for them the foundation, physical and institutional, on which they can construct bright futures, and do it here.

To this Assembly, I say “Lap One, well done.” But the second phase is all-important. We don't have a single day, let alone a legislative session, to rest, or cruise, or hesitate. Let's move, let's act, let's play the ball aggressively, confident that we are a state whose potential exceeds its performance, determined that “good enough” never is, that catching up is merely a start, that true greatness lies ahead.

God bless you and this great state."

The President of the Senate adjourned the Joint Convention.

BRIAN C. BOSMA
Speaker of the House of Representatives

M. CAROLINE SPOTTS
Principal Clerk of the House of Representatives